



# MAJOR ELECTRICITY USERS' GROUP

17 March 2010

## **Aide memoire on the Electricity Industry Bill for the Finance and Expenditure Committee**

1. MEUG strongly support the key proposals in the Bill and agree that the Bill is likely to achieve the overall aims to improve competition and to improve security of supply.
2. Our written submission covers a number of suggested changes to the Bill; all of which are important but are probably best characterised as matters of detail.
3. The one area we suggest the Bill needs a substantial change is the proposal to make the System Operator a statutory monopoly. MEUG suggest the purpose of the Bill would be better achieved if:
  - a) The System Operator was a separate legal entity from the Transmission Asset Owner business;
  - b) The Code was used to define functions that the Electricity Authority implements by way of a contract with the System Operator; and
  - c) The Code and contract would be cognisant of the need to give the System Operator reasonable certainty in the near term and to provide incentives for efficiency gains including possible competition in the longer term.
4. Supplementary comments on two other items follow:
  - a) We are very concerned with the submissions by Transpower<sup>1</sup> that the Electricity Authority only administers the Code and has no ability to propose changes to the Code. This reopens a debate on whether only the industry can propose rule changes. ETAG and Ministers decided against that and agreed with our view that the Authority should have rule making powers.
  - b) The Bill shifts responsibility for implementing those parts of EIRA that have been retained from the Commerce Commission to the Electricity Authority. This was never consulted on in the Ministerial review process. We think enforcement of the residual EIRA provisions is standard economic regulation that should be retained by the Commerce Commission. Enforcement of EIRA does not fit at all with the pro-competitive development of the Code that will be the core business of the Electricity Authority.
5. We welcome questions from the Committee.

Terrence Currie  
Chair

Ralph Matthes  
Executive Director

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<sup>1</sup> Refer <http://www.transpower.co.nz/f3231.27754849/submission-electricity-industry-bill-select-committee-26-feb-2010.pdf>